

BUSINESS STRATEGIES AND PERFORMANCES OF THE TWO  
LEADING REAL ESTATE AGENTS IN HONG KONG

by

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## ABSTRACT

This thesis evaluated the business performances and the strategies of the two leading real estate agents in Hong Kong: *Centaline Property Agency Limited* and *Midland Reality (Holdings) Limited*.

From the analysis of their business performances, both Centaline and Midland can be regarded as successful in the real estate agency industry as shown in their commission revenue, market share and number of branches.

Centaline uses its "Doctrine of Non-interference" while Midland uses its "Power Centralization" style of management. They both have pros and cons. But both of them are proven to be successful in the real estate agency industry as shown from their business performances.



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## CHAPTER I

### INTRODUCTION

A lot of large-scale evaluations are carried out to measure the performance of companies. Management makes use of such information to look at the strengths and weaknesses of their companies. Fund managers, as external analysts, could assess the attractiveness of investing in specific companies before they put their funds in them. The demand for company evaluation is so great that we can notice that every year there are a lot of large-scale statistical surveys carried out by business magazines. They rank companies on a global basis by using different yardsticks of measurement. Forbes prepares its "A-List" by using five measures: 1. Average annual return of capital in the latest five years. 2. Sales growth over the same period. 3. The changes in the companies' stock price in the latest 52 weeks. 4. Net profits per employee and 5. Forecast of the company's earnings-per-share growth in the next year estimated by securities analysts around the world.<sup>1</sup> Business Week prepares "The Global 1000" by ranking the companies by market values.<sup>2</sup> Some institutions evaluate companies by expert opinions. Asiamoney prepares its "Asia's Best

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<sup>1</sup> "The A-List – The Annual Report on Industry." Forbes Global Business Finance, 11 January 1999, p. 45.

<sup>2</sup> "The Global 1000." Business Week, 13 July 1998, p. 43.

Managed Companies” by asking 700 global fund managers of their top three choices in seven categories: access to management, forecasts, financial accounts, investor relations, strategy, small caps and newly-listed, from which the companies are ranked by these scores.<sup>3</sup> Asian Business prepares its “Asia’s Most Admired Companies” by using the knowledge and perceptions of the editorial team of the listed companies.<sup>4</sup> In order to provide an all-round evaluation of the business performance of companies, it is unavoidable to do this through financial and non-financial means. This will be further discussed in Chapter Two.

This thesis, which will put its focus on the period from 1995 to 1998, will evaluate the business strategy and performance of two Hong Kong based real estate agents: *Centaline Property Agency Limited* (“Centaline” hereafter) and *Midland Reality (Holdings) Limited* (“Midland” hereafter). They are the two biggest real estate agents in Hong Kong. According to the Report of the Working Group on Regulation of Estate Agents prepared by the Planning, Environment and Lands Branch, an estate agent should include any individual or corporation who carries out the business of an estate agent regardless of whether or not he receives any consideration.

Due to the drastic change of the property market, there had been marked fluctuations in the amount and profit of these real estate agents in Hong Kong in the past few years. The motivation of doing this study is to look into their performances and strategies in

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<sup>3</sup> “Asia’s Best Managed Companies.” Asiamoney, December 1998/January 1999, p. 3.

<sup>4</sup> “Asia’s Most Admired Companies.” Asia Business, May 1998, p. 23.



the blooming and busting of the property market. It is because their performances and strategies were very interesting and noticeable to other people inside or outside the real estate agency industry.

This thesis will be divided into the following chapters:

Chapter II - Literature Review: It introduces different performance analytical methods of different companies and also Porter's (1979) Five Forces Model.

Chapter III – Methodology: It outlines the ways of information gathering and methodology employed by the thesis.

Chapter IV – The Property Market: It includes the description of the development of the property market. The purpose of this part is to gain more insights about the situation of the property market.

Chapter V – The Real Estate Agency Industry: It will first present the functions of real estate agency industry. Then, it will analyze the real estate agency industry using Porter's (1979) Five Forces Model.

Chapter VI – The Two Companies: It provides the detail description of the history, development and competition of *Centaline Property Agency Limited* and *Midland Reality (Holdings) Limited*.

Chapter VII – An Analysis of the companies: It introduces the companies' business

strategies, their strengths and weaknesses, and the opportunities and threats faced by them. The analysis will focus on the commission revenue, the market share and the number of branches. The aim of this part is to gain more insights about the strategies adopted by them in the dynamic business environment and to learn the key successful factor from their experience.

Chapter VIII – Conclusion: it summaries the analysis and findings.

## CHAPTER TWO

### LITERATURE REVIEW

We can approach the company performance analysis in a number of perspectives. Each perspective requires the use of a number of analytical tools. Effective analysis is only possible if the appropriate mix of tools are used. In other words, there is no one right way. Naik (1997) asserted that experienced analysts should use some or all of the following approaches:

#### Familiarization with the Subject

Analysts have to keep a close watch on many different information sources such as newspapers, specialist journals, on-line services, trade associations or specialist organizations which provide comparative analysis between companies.

#### SWOT Analysis

It is concerned with analyzing the internal factors of the companies (Strengths and Weaknesses) and the external factors of the environment (Opportunities and Threats).

By carrying out this kind of gap analysis, the companies may be able to find ways to continue their growth.

### Review of Financial Statements

Financial statements include the profit and loss statement, the balance sheet and the cash flow statement. Common form of examination included the vertical and horizontal analysis. Vertical analysis is the percentage analysis showing the relationship of each factor to the total within a single statement. Horizontal analysis is the percentage analysis of the increases and decreases in related items in comparative financial statements.

### Ratio Analysis

By taking two or more figures together and comparing them with each other, people will start to reveal the important and crucial information. One advantage of the ratio analysis is its facility for boiling down the mass of data contained in financial statements to a small number of key indicators about various aspects of the company's performance and financial situation. There is no absolute standard to match the company's ratios. For example, one can compare one period's ratios with a previous period's ratios. One can compare the company's ratios with the average



of the industry or with the ratios of a competitor. Significant deviations from that of the industry average, from those of competitors or from that of the previous period would alert the analyst to the fact that further investigation is warranted.

### Trend Analysis

Both the internal management and the external analysts are especially mindful of monitoring the trends in those financial results over a period of time. The main reason of monitoring the trends is that they can provide early warning of impending problems.

### Non-Financial Indicators

As mentioned by John (1998), there are a number of key influences in today's business environment that are shaping the direction of the performance measurement systems of the organizations. These influences include: competitive forces, focus on shareholder value creation, customer focus, quality, empowerment and information technology advances. In terms of performance measures, systems need to become dynamic in two dimensions – changing measures and changing targets. The increasing focus on value adding has shifted performance measurement principles towards lead reporting, monitoring what is happening now and indicating potential

consequences for the future.

However, the problem with traditional financial-based measures of performance is that it fails to indicate the causes. When performance measures were too financially orientated, it will lack the details for the internal management to make meaningful responses. In the similar sense, external analysts cannot totally depend on financial based data to evaluate the performance of firms fairly. Perhaps, more seriously, traditional accounting measures can give misleading signals when people are seeking continuous improvement. Malcolm (1997), president of CIMA's Western Australia Branch, mentioned that it is unrealistic to expect managers to focus on operational measures such as cycle times and defect rates when they are being appraised on the financial results. Therefore, a balance is required between financial results and operational measures of internal processes, innovation, and improvement activities.

**Table 1** listed a set of non-financial indicators for manufacturing industry, outlined by Tricker and Dockery (1995). We should notice that the kinds of performance indicators used are highly industrial dependent or even departmental dependent. That means different sets of key performance indicators should be used in different industrial environment and in different departments. The following shows another set of performance indicators used by an utility company in Hong Kong - The Hong Kong and China Gas Company. Its use of indicator was shown in **Table 2**.

### Criteria to Choose Indicators

Most of these performance measures are not new ideas. Maskell (1994) did suggest some common themes in choosing them. The measures should have the following characteristics: 1. Relate to business strategy. 2. Be primarily non-financial. 3. Vary between locations. 4. Change over time to reflect the change of important issues. 5. Be simple and easy to use. 6. Provide fast feedback of information and 7. Foster improvement rather than merely monitor the performance. Some of these criteria will be useful in determining which indicators are useful to evaluate the performance of the real estate agents.

### Financial and Non-Financial Indicators Used for Evaluating Real Estate Agents' Performances

After summarizing the ideas above and also considering the suitability of the industry, indicators which will be used for real estate agents in this report are as follows:

1. Commission revenue: It is a financial indicator. It is chosen because it can directly indicate the turnover of the companies and the capability of the companies' most valuable asset - their people.
2. Market share: It is a non-financial indicator. It is chosen because it can indicate



the relative strength between the two targeted companies and also of other competitors.

3. Number of branches: It is also a non-financial indicator. It can show the companies' accessibility by customers.

### Five Forces Model

Five Forces Model, which was advocated by Porter (1979), proposed a framework of five forces. These forces defined the basic posture of competitions in the industry – the bargaining power of existing suppliers and buyers, the threat of substitutes and new entrants, and the intensity of the existing rivalry.

According to Porter, once the strategist has assessed the forces which affects the competitions in the industry and the underlying causes of these forces, he can identify a company's strengths and weaknesses. This is the motivation to practice this model to the real estate agency industry.

### Threat of Entry

Whether the threat of entry is serious or not depends on the barriers present and the reaction from existing competitors that the entrant can expect. If barriers to entry are high and a sharp retaliation from the entrenched competitors is expected, a newcomer



will obviously not easy to enter the industry.

The following factors decide whether the new entrants can easily enter the industry or not: Economies of scale, product differentiation, capital requirements, cost disadvantages independent of size, access to distribution channels and the government policy.

### Threat of Substitute

According to Porter (1979), substitute products or services limit an industry's growth potential, lower its earnings in normal times and reduce the bonanza it can reap in boom times. Substitutes often come rapidly into play if there is performance improvement or there are some developments which increase the competitions in their industries and cause price reduction.

The following factors decide whether the substitution threat is serious or not: relative price, performance of substitutes versus firm concentration, switching costs and buyers propensity to substitute.

### Suppliers

According to Porter (1979), suppliers can exert bargaining power on participants in an

industry by raising prices or reducing the quality of purchased goods and services.

Powerful suppliers can thereby squeeze the profitability out of an industry which is unable to recover the cost increase in its own prices. A supplier group is powerful if it possesses as many as the following characteristics:

- It is dominated by a few companies.
- Its product is unique or at least differentiated.
- It has built up switching costs.
- It is not obliged to contend with other products for sale to the industry.
- It poses a credible threat of forward integration into the industry's business.
- The industry is not an important customer of the supplier group.

### Buyers

Buyers, or customers, can exert bargaining power on participants in an industry by forcing down prices, demanding higher quality or more services, or playing competitors in the industry off against each other. All of these can reduce the industry profits. A buyer group is powerful if it possesses as many as the following characteristics:

- It is concentrated or it purchases in large volumes.
- The products it purchases from the industry are standard or undifferentiated.
- The products it purchases from the industry form a component of its products and represent a significant fraction of its cost.
- It earns low profits and that makes it to have great incentive to lower its purchasing costs.
- The industry's product is unimportant to the quality of the buyers' products or services.
- The industry's product does not save the buyer group's money.
- It poses a credible threat of backward integration to make the industry's product.

### Rivalry

Competitors can take many different forms of jockeying for position like price competition, product introduction, and advertising slugfests. The following factors decide whether the competition of rivalry is intense or not: industry growth, fixed costs, intermittent over-capacity, product differences, brand identity, switching costs, diversity of competitors corporate stakes and exit barriers.

### CHAPTER III

#### METHODOLOGY

After reviewing the Five Forces Model, the model will be used in Chapter V to analyze the real estate agency industry. Determinants of all forces acting against the industry will be specifically defined. Case study method will be used in Chapter VI to review the development and competitions between Centaline and Midland. SWOT analysis of the two companies will be used in Chapter VII to analyze their strengths, weaknesses, opportunities and threats.

#### Sources of Information

Throughout the research, secondary source of information is used. This kind of information is obtained from various publications of the Planning, Environment and Land Branch, the Estate Agents Authority, the Hong Kong Housing Authority, the Land Registry Trading Fund Hong Kong, academic journals, business journals, newspapers, Wardley Cards and annual reports of the two companies. Moreover, since many newspapers and journal reporters have already done a lot of personal interviews with the chairmen of the groups, their reports will be referenced as a useful

source of information. The Library Session of the Hong Kong Economic Daily provided the access of this kind of information.



## CHAPTER IV

### THE PROPERTY MARKET

#### Objective

In terms of usage, properties in Hong Kong are classified into residential, office, retail, hotels and industrial/warehousing types. Among them residential properties are the most active and are of direct concern to most people. Therefore, this chapter will focus on this property type and its corresponding effect to the property agency market.

The residential property market in Hong Kong can further be classified into two types, namely public housing and private housing. Public housing is developed and supplied by the government and the Hong Kong Housing Authority to the lower income groups. Private developers develop private housing for the higher income groups.

The local residential property market will be reviewed in order to provide a historical background for the description of the real estate agency industry, with reference to the historical events of the residential property market, including governmental policies, supply, demand and also the prices of private housing.

### Before the 90s

After World War II, the political environment in Hong Kong was relatively stable.

The property market grew with the Hong Kong economy.

In the 70s, population in Hong Kong increased dramatically due to the influx of refugees. Together with the development of manufacturing and commercial sectors, the demand for residential units, commercial units, industrial units and warehouse was increased. The property market therefore grew with this trend.

In the 80s, the property market underwent some fluctuations. In 1981 and 1982, the business became very hot and the prices of land and property price soared. From the fourth quarter of 1982, the market started to adjust and then went into a trough and as a consequence, some property developers went bankrupt. In September 1984, China and Britain signed the Joint Declaration and the uncertainty regarding Hong Kong's future was removed, the property business started to rebound. Although the stock market crash in October 1987 and the "June-fourth" incidence in 1989 affected the property market, the property market soon recovered and went through another expansion cycle.

1994

By 1994, the prices of private housing continued to rise to new highs. After a period of rapid price increases between 1989 and 1993, the government introduced a package of measures designed to dampen speculation, to increase the housing supply and land supply, and to strengthen consumer protection and the administration of the housing policy. Following the Governor's announcement in April of the setting up of a Task Force to look at the housing supply and property prices, prices peaked and then fell more or less steadily throughout the remainder of the year. The anti-speculation measures achieved the desired effect. In November, prices for selected residential developments in the secondary market were 25 per cent lower than that at the peak in April 1994. Prices of new flats (depending on locations) in December were between 25 and 35 per cent lower than that at the peak in April 1994. The recoveries in October and November were short-lived. The downturn was generally considered as the combined results of the measures put in place by the government to remove speculators from the market, and a natural market correction due to higher interest rates. However, prices at the end of the year were still significantly higher than that in 1993.



1995

The prices of private housing had dropped about 10 per cent within the first three quarters of the year but it rebounded to the level of that at the beginning of 1995 in the fourth quarter. Moreover, completions of domestic units exceeded the take-up in this year and so decreased the vacancy.

In November 1995, the government embarked on a review of its long-term housing strategy. The review, scheduled to complete in mid-1996, would consider what changes in current policies are required to meet the forecast demand of public and private housing and would enable the government to set housing production targets for the period up to April 2006. In December, the government announced technical adjustments to the conditions of consent for pre-sale of uncompleted flats which were designed to provide greater operational flexibility to property developers and home buyers in property transactions.

1996

Following a significant turnaround in the first quarter of 1996, increases in both sales volume and prices slowed down in the mid-year but surged again in the final quarter. The number of transactions in 1996 was risen by 70 per cent to 130,000 from 77,000

in the previous year. On the other hand, rents only increased moderately in the second half of the year, resulting in a fall in yields.

With the cutbacks in interest rates and the competitive mortgage terms resulting from competitions among banks, innovative promotion and flexible payment terms offered by developers, the property market became buoyant. Revival in the last quarter was led by "luxury" flats for which prices increased faster than that in the mass residential market, leading to a widening of the differential in unit prices for "luxury" flats and houses. Record unit price levels were reported in certain developments and for "super-luxury" units.

### 1997

The property market underwent a turbulent year in 1997. The residential market continued its upward trend at the beginning of the year. Fuelled by the strong end-user and investment demand, hectic speculative activities, attractive mortgage loan terms offered by competing banks, against a short-term tight supply, prices soared some 30 per cent during the first half of the year. The volume of transactions hit a high record. In the period near the Hand-over, people waited for any new policy introduced by the SAR government to lower the prices of residential properties. This continuously advocated that the prices were unreasonably high. Prices stopped to increase in the middle of the year. Followed the SAR Government's announcement

of stabilizing the residential market and increasing residential supply substantially in the longer term, the market activity began to ease and the prices consolidated in the third quarter. Coupled with Asian financial crises in October, banks tightened their mortgage loan policies and increased interest rates substantially. With all these, the market came under substantial downward pressure. Prices dropped sharply and the volume of transactions dwindled. Within less than 2 months, prices of selected developments dropped by about 14 per cent. The downward adjustment process has continued into 1998. Forfeiture and default cases have been widely reported since the end of 1997.

**Table 3** shows the units of completion, take-up and vacancy between 1993 and 1997.

Apart from that in 1994, units of completion and units of take-up in the same year were similar in the whole period. The rate of vacancy was maintained at the level of 4 per cent, which were about 35,000 units.

## CHAPTER V

### THE REAL ESTATE AGENCY INDUSTRY

#### Objective

This chapter first looks at the functions of real estate agents. Then, the industry structure will be analyzed by using the Five Forces Model.

According to Porter (1979), once the strategist has assessed the forces which affect competitions in the industry and the underlying causes of these forces, he can identify a company's strengths and weaknesses. This is the motivation to practice this model to the real estate agency industry.

Hui and Kwok (1998) had made use of this model to analyze the real estate agency industry. However, their work seemed to be incomplete. Firstly, they advocated that suppliers of real estate industry were "property sellers" and "labors". However, "labors" are the participants in the industry and they are not suppliers. In this report, the mass media, which provide the advertising channels, are considered as an important supplier group. Secondly, they did not state clearly who were buyers. In Porter's (1979) Five Forces Model, buyers should be considered as "customers". In



this sense, buyers or customers should be the prospective sellers and prospective buyers of residential properties. Although Hui and Kwok's (1998) work was incomplete, the author will base on their work and add his analysis on it to build a complete picture in the second part of this chapter.

### Functions of Real Estate Agents

Hui and Kwok (1998) summarized the information from the Hong Kong Real Estate Agents Limited and the Hong Kong Real Estate Agencies Association Ltd. and stated that the business of a property agent should be as follows: -

“Selling, buying, exchanging, letting, or taking on leases of or otherwise dealing with or disposing of, or negotiating for sale, purchase, exchange, letting or taking on leases or any other dealing or disposition of any real property on behalf of any other person.”

According to the Report of the Working Group on Regulation of Estate Agents the primary functions of most estate agents in Hong Kong are: -

1. To bring together vendors and prospective purchasers, lessors and prospective tenants.
2. To accompany their clients to visit target flats.
3. To mediate between the two principal parties in price negotiations.

4. Where an agreement is reached, the agent prepared a Provisional Sale and Purchase Agreement (PSPA).
5. To pass the PSPA to the respective solicitors of the vendor and purchaser for preparation of the formal Sale & Purchase Agreement.

Hui and Kwok (1998) made the following supplements: -

6. To seek out properties for sale or to let and to establish connections with owners who agree to list their properties through property agents' companies.
7. To advertise listed properties with key features such as description of the property, floor area and price.
8. To verify and to find out salient features and ownership status of properties through preliminary on-the-spot inspection and land search in the Land Registry.
9. To prepare a Provisional Agreement for Tenancy (PAT) when lessors and prospective tenants reach an agreement.
10. To assist parties to settle and to follow up disputes arising from repudiation or cancellation of the PASP or PAT according to agreed terms.
11. To follow up miscellaneous requests and queries from parties in transaction up to completion of the sale and purchase.

### Analysis by the Five Forces Model

#### Threat of Entry

The major determinant of entry barrier in real estate agency industry to against newcomers' entry is the regulations of the government.

#### Government Regulations

Porter (1979) stated that the government could limit or even foreclose the industries with controls such as license requirements and limit the access to raw materials. In Hong Kong, since the government noticed that the system in property transactions was abused by unscrupulous estate agents, the government is posing some controls to the real estate agents. There were a lot of malpractice such as the engagement of confirmors, double agencies, illegal commissions, misrepresentation, and unfair Inspection Forms and PSPA. **Table 4** shows the number of complaints received by the Consumer Council concerning estate agents. The most serious kind of misbehavior was "Sales Tactics". The government found that the main problem was due to the ambiguity of the roles and obligations of estate agents. Thus, after the public consultation in 1994, the government introduced legislation to regulate the operations of estate agents in Hong Kong. The legislation sought to establish a

statutory Estate Agents Authority responsible for licensing estate agents and regulating their activities to enshrine the obligations of estate agents in law and to prescribe the use of written agency agreements.

The Estate Agents Ordinance was enacted in May 1997, and The Estate Agents Authority was established on 1 November 1997. The mission of the Estate Agents Authority is to promote the standard of services of the estate agency trade, enhance protection for consumers and encourage open, fair and honest property transactions. There are four Standing Committees in the Authority, including the Disciplinary Committee, the Licensing Committee, the Practice Committee and the Training Committee. They altogether take care of issues in their respective areas.

#### Substitute Services

Although Hong Kong's agency market is currently dominated by agency firms like Centaline, Midland and *Hong Kong Property Services (Agency) Limited*, we can still notice some present and potential substitute services.

#### Multilevel Marketing Agency Firms

These firms encourage their agents to find customers by themselves mainly through the agents' own circles of friends and social connections. Agents are motivated to



expand the companies' business by building up their own lines of agents. They are rewarded by having a share of commissions earned by agents working directly under his line of control.

This operation mode can minimize the firms' overheads such as expensive rents and heavy advertising expenses. It can also attract those people who want to find part-time job due to the flexibility of their working hours and thus increasing the network of agents. However, as agents only receive minimal on-the-job training (usually just ten lectures provided by the companies), their quality is doubtful. Also, connections between agents and firms are not tight.

### Property Auctions

These firms do not display property information in their shops. Instead, properties are promoted in two stages. In the first stage, these firms put advertisements in newspapers and put up posters in the vicinity of the property location. In addition, they send property information directly to their potential customers and investors. When properties cannot be sold within a period (normally one-month) in the first stage, properties will be sold in auctions arranged by the firms. The sellers need to pay the agency fees if the properties are sold off in auctions. Buyers are not required to pay the agency fees.

This kind of transactions is still not popular in Hong Kong since auctions are not held

frequently and only a few people take notice to the auction details on newspapers.

Number of participants is small and so auctions are simply held in hotel rooms.

### Newspaper Advertisement

People can publish their advertisements in newspapers and try to complete property transactions by themselves. These advertisements usually contain information of the properties and method of contact to the owners. This is the cheapest way to sell or to buy properties since the advertising fee is lower than the agency fees of real estate agents. However, in view of the dynamics of the property market, there are some disadvantages. Firstly, people cannot find updated information easily. Secondly, due to the large number of sellers and buyers, this method is very time consuming and inefficient. Shih (1998) also said that a lot of property owners had tried to advertise their properties on newspapers in order to contact buyers directly to save some agency fees. However, most of them had failed and they later shifted to make use of real estate agency services. Thirdly, people also worry that their properties may not be sold at the right market prices. But the most serious disadvantage is that the advertisement may attract criminals, making this method quite risky.

## Suppliers

The major suppliers of real estate agency industry are property developers, which sell or lease their shops, and mass media corporations which provide the agents with advertising channels.

### Property developers

They have great bargaining power. Firstly, due to the fact that their products are unique, people cannot find two identical shops. Moreover, real estate agency industry is not an important customer of the property developers. They can sell or lease their shops to others. In the period of property boom, they are very powerful and charge very high rent.

### Mass media corporations

**Table 5** shows the percentage distribution of the advertising revenue across the media. It shows that TV and newspapers have already occupied 78.1 per cent of the market. TV alone has almost gripped half of the market. Its major players are TVB and ATV, which are providing free television programs. Few popular newspapers such as Oriental Daily News and Apple Daily dominate the newspaper industry. These two

newspapers have already gripped 53 per cent of the newspaper readership (see **Table 6**). Therefore, it can be noticed that a few companies are dominating the advertising channels. Adding to the fact that the real estate agency industry is not an important customer of these companies, mass media corporations can exert great bargaining power to the real estate agency industry.

### Customers

As mentioned by Porter (1979), customers are powerful if products are standardized or undifferentiated. However, each residential unit is different from others. Services provided by real estate agents are also differentiated. Therefore it can be considered that buyers have small bargaining power. When the property market is blooming, customers tend to bargain less in order to make profit in a shorter time. However, when the property market is busting, customers tend to spend more time in bargaining.

### Rivalry

The internal rivalry among the existing agency players is fierce. When the property market was blooming, the market can be so big that it had 30,000 salespeople. However, in June 1998, the Society of Real Estate Agents said that the number of



estate agents was decreased from 30,000 in 1997 to only 17,000 at that time. 20 to 30 per cent of these 17,000 brokers would further be made redundant in the near future.

The competitions of the two largest players will be described in the next chapter and so it would not be discussed in details here.

## CHAPTER VI

### THE TWO COMPANIES

#### Objective

In this chapter, the history, developments and competitions of the two largest real estate agencies in Hong Kong: Centaline and Midland, will be described.

#### Centaline

Centaline was established in 1978 by Shih Wing-ching and Wong Man-yin. Centaline focuses mainly on secondary sales of residential properties. In December 1998, it had about 180 branches, nearly 50 branches more than its major competitor – Midland. Currently, three people own the company: 1. Shih Wing-ching, who owns a 45 per cent stake in Centaline, is the managing director of Centaline. 2. Wong Man-yin, who also owns a 45 per cent stake in Centaline, resigned as a director of the company in early 1992 and set up his own real estate agency – Capital Property Consultants. 3. Wong Wai-hung, who owns the remaining 10 per cent stake in

Centaline.

### Midland

Wong Kin-yip and Fung Yui-sum founded the group in 1973. It was then a small real estate agency focused mainly on secondary sales and leasing of residential units which were still under construction. From late 1990 to the end of 1996, it adopted an aggressive expansion policy by increasing its network from 8 to 160 branches. In 1995, Midland Realty (Holdings) Limited, which was incorporated in Bermuda in October of 1993, became the holding company of the Group. Midland was listed on the Hong Kong Stock Exchange in June of 1995 by offering 50 million shares to the public. Until the end of 1997, its business can be divided into three streams: Residential property agent services (89 per cent of the turnover), industrial & commercial property agent services (10 per cent of the turnover) and real estate marketing services (1 per cent of the turnover). The chairman and managing director of the Group is Wong Kin-yip.

### Developments and Competitions: 1995 – 1998

#### To List or Not-to-List

On 26 May 1995, the closing day of Midland's IPO, Shih published an open letter on

several newspapers. In the letter, he said that since the fruit of the agents' hard work would go to those shareholders who did not put any effort in the business of the company, it was not wise for a real estate agency to be listed. (However, Centaline also wanted to list the company later but it was voted down by Wong Ming-yin who feared that new shares would be issued after Centaline was listed and therefore he would lose his 45 per cent holdings of the company.)

It was believed that the listing could raise the public image of the company and may be helpful to the company's future business development.

However, another point of view said that "people" was the major asset of real estate agencies, but the flow of human resources could be very high in this industry. Out of human resources, there were not too many fixed assets. As a result, there might not have much meaning for a real estate agency to go to list. Agents' key successful factors were their capabilities to find suitable flats and their relationships with their customers. Moreover, the business did not need a lot of capital to support the operation. Also, the publicity of Midland at that time was already high and so listing did not help much in that field.

#### Midland's Strategy

At the same year that Midland was listed, it recorded a 20 per cent increase in the



turnover and 35 per cent of the net profit. Although the property market was steady in that year, several real estate agencies folded up or were acquired by other companies. Midland took the chance to open more branches. The market shares also increased significantly. **Table 7** shows that the market share of Midland was increased from 1.54 per cent in 1991 to 17.40 per cent in 1996.

In 1996, Midland's net profit was higher than that of expectation. Financial institutions expected that Midland's net profit in 1996 was about 153 to 263 million, but it recorded 365 million. Wong claimed that the management had successfully control the operation cost by buying some branches instead of renting them. Up to March 1996, more than 10 per cent of the branches were company properties. As a result, rent only formed 7 per cent of the company's operating cost, which was 3 per cent lower than that in 1995.

In the first half of 1997, the property market was blooming, Midland expanded its business at a faster rate and at the same time, planned to improve its quality of services. The improvements included the following things: 1. To upgrade the images of branches; to design the interior of branches according to their core business and give them different images. For examples, some branches were designed as "Luxury Property Professional", "Blue-Chip Estates Professional", "Traditional Market" and "Home Ownership Scheme Specialty" to differentiate the branches' images from those of other companies. 2. To increase the number of branches so that more

customers could be reached. 3. To strengthen the internal management: to speed up the developments of information technology and to employ human resource consultant firms to run tailor-made training courses to their salespeople, named the "Midland Professional Quality Service" in order to raise the capabilities and image of their salespeople.

Midland claimed that they had made use of statistical analysis to develop its business. Wong Kin-yip said, "The Group often believes that scientific analysis of data, such as transaction records of the Land Registry Department, can facilitate our development."<sup>5</sup> Wong also claimed that power centralization was an effective way to run real estate agencies. He divided Midland's business into nine regions (see **Table 8**) and let several Operation Executives to run these regions. Although Operation Executives had the power to suggest the opening of new branches and the recruitment of new staff, final decisions were still in the hands of Wong. This was quite different from Shih's management philosophy, which will be described in the following.

#### Management Philosophy of Shih

Shih's management philosophy was very different from that of Wong. He was famous for his management style: "Doctrine of Non-interference." He divided the Group's business into more than 30 regions, each was managed by a board member as

the Regional Director. All operation costs and profits were divided on a fifty-fifty basis between the Group and each region. Regional Directors were independent from the Group to make all decisions. The Group had a "General Meeting" every month, in which all participants of the Group would take part. In the meeting, Shih would give his comments on the industry and the future strategy of the Group. Shih claimed that the core of "Doctrine of Non-interference" was "Empowerment". That means allowing his frontline staff, who know better the customers' needs and business environments, to have sufficient room in running the daily operation.

#### Centaline: Battle between Former Business Partners

In May 1997, Shih Wing-ching entered into a war of words with his former business partner Wong Man-yin over the sharing of profits made by Centaline. Mr. Wong was believed to be a stumbling block for any attempts to publicly list Centaline. Mr. Wong claimed that the company's four directors (Shih Wing-ching, Wong Wai-hung, Chan Wing-kit and Cheung Yick-wai) received remuneration of HK\$95 million in 1996. He also said Mr. Shih alone took HK\$33 million in 1996, about 11.8 per cent of the company's pre-tax profit. He compared this amount with Midland chairman's remuneration (HK\$13.25 million in 1996), and stated that Shih's benefit was too much. Moreover, he complained that Centaline did not pay any dividend to

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<sup>5</sup> Ming Pao, 5 May 1998.



shareholders from April 1993 to March 1996. On the other hand, Mr. Shih said Mr. Wong had agreed earlier that the terms and conditions of directors' pay were based on a percentage of the company's profit. He said, "Mr. Wong was the one who set out the payment terms and conditions of the directors when he quit."<sup>6</sup> He also said that since the company had embarked on rapid expansion to maintain its competitiveness as Midland strengthened its operations after listing on the stock exchange, there had been no dividend payment from 1993 to 1996 mainly.

### Information Technology Battle

In May 1997, Centaline announced its co-operation with Smartone to provide updated property information through cellular phone. Cellular phone users can read property news through the screen of their phones. News included the newest transaction prices of residential units.

At the same time, Midland also co-operated with CSL to provide updated property information such as property news and newest transaction prices to users of cellular phones and pagers.

As Internet becoming more and more popular in Hong Kong, both Centaline and Midland had set up their homepages. Moreover, they tended to set up another

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<sup>6</sup> South China Morning Post, 9 May 1997.



battlefield on Internet.

In August 1997, Centaline and Midland announced that they would invest HK\$12 million and HK\$30 million respectively in the field of information technology. At that time, both their homepages had already included the updated transaction records of the Land Registry Department. Centaline planned to invest HK\$6 million to develop its Intranet to connect all its branches, and then post all of the newest information of its properties on its homepage for prospective sellers. Buyers then could search for the units they like on the company's homepage. This can largely save the buyers' time from walking around several branches. When it was finished, each of the 300 branches could post information of at least 30 property units on their homepage and there would have the information of 8,000 to 10,000 units for buyers to choose. Compared with property advertisements of only 2,000 units on newspapers, advertising through Internet would be much more effective and cost saving.

On the side of Midland, its ultimate objective in information technology development would be the establishment of its Centralized Corporate Database. It planned to develop a more powerful Intranet, which was able to speed up the daily operation of the company more than that of Centaline. For example, if a staff wanted to apply for one day's off, instead of using a standard document, he could make use of the Intranet for approval. However, Midland was more conservative in posting property advertisements on its homepage. It explained that since the pricing of properties

could be fluctuated within a short time, it would take great cost in keeping the information updated in every minute in order to avoid providing misleading information to buyers.

From October 1997, the downturn of the Hong Kong economy and the fall of property market hurt the business of real estate agencies also. Centaline turned to use its homepage instead of television for their promotion. Originally, it would spend about HK\$10 million annually in television advertising. Centaline moved HK\$6 million out of this amount to invest in its homepage modification and used only HK\$4 million to promote its homepage on the television. At that time, it was recorded that 40,000 visitors browsed its homepage monthly. Moreover, Centaline used its homepage to gain HK\$600,000 advertising fee from other property companies. Within this amount, HK\$400,000 was used to support the operating cost of its homepage and HK\$200,000 was the net profit. The company successfully ran its homepage free to promote its professional image.

#### Midland was Acquired by Parkview Group

In October 1997, The Hong Kong Parkview Group Limited notified Midland that it had already acquired 11.2 per cent of Midland. Wong Kin-yip then said that Midland was planning to ally with the Hong Kong Parkview Group Limited in property development in the future. Moreover, this alliance could also help Midland

to develop its network in China and to facilitate its China real estate agency business.

### Agents Faced Closure

In October 1997, The Society of Hong Kong Real Estate Agents anticipated that the property agency industry would be shrunk by 20 per cent, squeezing out less competitive estate agents, mostly medium-sized firms, from the business. Society President Tony Chan said that the industry had expanded 30 per cent from mid-1996 to mid-1997. He said, "large estate agents expanded rapidly while small-sized ones entered when the property market was bullish in the first half of the year." He also said that the substantial increase had caused intense competitions in the industry, especially when the government pledged to curb the speculation since June 1997 and led to a plunge in property transactions. Moreover, Mr. Chan said that medium-sized estate agents received the hardest hit in the highly competitive industry. "Large estate agents are using earnings and reserves generated in the first half of the year to offset reduced profits or even losses in recent months. Small estate agents has lower overheads, which help them to maintain their competitiveness. But the medium-sized ones are facing high overheads, high rentals and advertising fees in the slow market," he said.<sup>7</sup>

Some closures were carried out strategically. Denny Wong, president of the Hong



Kong Chamber of Professional Property Consultants, said a clear-cut way for estate agencies to stop “bleeding” was to reduce branches. Some property agents had reduced dispensable expenses such as advertising to zero when the tough situation continued. Others shifted their businesses to the rental market. Before the crash to the property market in 1997, sales of properties accounted for up to 70 per cent of estate agents’ business activities, with the rest coming from rental deals. In October 1997, it was fifty-fifty. Some estate agencies concentrated their business on their niche markets. For example, Chi Cheung Property put more effort in the luxury sector, which was the estate agent’s strongest part of business.

In November 1997, Mr. Wong Kin-yip said that Midland had slowed down its expansion when the market started correcting in July. Victor Cheung Kam-shing, Sales Director of Midland, said, “we will be cautious in exploring new areas like Tung Chung and concentrate our efforts in strategic locations with growth potential like Tseung Kwan O.” Midland did a lot of things to offset the negative impact of the market downturn: 1. Consolidated redundant branches in Home Ownership Scheme housing estates and old urban districts. 2. Reduced advertising spending. 3. Renegotiated rental agreements for its branches. To renegotiate the rent, Midland sent letters to landlords to request cuts in rent of between 50 to 70 per cent as property trading and prices fell steeply. 4. Controlled operating costs. 5. Tightened its procedures for collecting commissions to recover outstanding debts. Mr. Wong said,

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<sup>7</sup> Hong Kong Standard, 8 October 1997.



"The management perceive this is as an opportunity for the group to increase its market share."<sup>8</sup>

### Earthquake in Midland's Management

In May 1998, another founder of Midland, Fung Yui-sum, left the company. It was believed that he and Wong Kin-yip had different opinions on Midland's development strategy. Fung thought that Wong was too aggressive to move Midland into the property development business. In the first half of 1997, Wong had participated in land auctions when the property market was blooming. Although he did not buy any land successfully, the gap between these two partners was widen.

### Estate Agency Licensing Plan

In May 1998, The Estate Agent Authority (EAA) released a consultation paper on the proposed licensing requirements and regulations for estate agencies' practices. The EAA proposed to grant transitional licenses to all practicing estate agents in Hong Kong for a period of two years. During the period, agents were required to pass a qualifying examination in order to convert their transitional licenses into full licenses. License applicants must have completed Form Five studies before being eligible to

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<sup>8</sup> Hong Kong Standard, 30 April 1998.

attend qualifying examination leading to the license. It also proposed that agents with 10 or more years' service experience could be exempted from examinations if they have completed a specified course. Also, EAA proposed a code of ethics and practice regulations for the trade. In November 1998, with the new licensing regulations, EAA expected to receive as much as HK\$50 million in license fees annually. It also estimated that 13,000 real estate practitioners would comply with the new rules. Under the new regulations, a property agent must pay a license fee of HK\$2,500 annually, while a new entrant must pay HK\$3,600. Existing practitioners have to pay HK\$2,300 for a salesman's license and HK\$5,000 for a company license. By the end of December 1998, EAA had received 23,705 applications, exceeded the amount estimated previously. 80 per cent or 19,913 of the applications were made on individual basis, with the rest 3,792 being the applications of company license.

#### Agency Licensing – Another Battle

Starting from 1999, all real estate agency salespeople have to get their license. Since manpower is the most important asset of real estate agencies, they had already started the recruitment of staff at the end of 1998 to ensure that they could keep their competitiveness. Among them, Ricacorp was the most aggressive one. It announced that it had to recruit 200 more salespeople within a short time to pump up its sales-team by 33 per cent. Midland and Centaline planned to recruit 100 people

in a month. **Table 9** shows the recruitment plans of selected companies. Centaline planned to recruit 5 to 10 per cent more of salespeople and Midland planned to recruit 7 per cent more.

## CHAPTER VII

### ANALYSIS

#### Objective

This part will first evaluate the business strategies of Midland and Centaline and then analyze their strengths, weaknesses, opportunities and threats.

#### Evaluation on performances

The business performances of the two companies are shown in **Table 10** to **Table 13**.

**Table 10** shows the commission revenue of Midland and Centaline between 1994 and 1997. In 1994, Midland and Centaline obtained HK\$401 million and HK\$459 million of commission revenue respectively. In 1997, they obtained HK\$1.769 billion and HK\$2.017 billion respectively.

**Table 11** shows the companies' total number of transactions of the two companies from 1997 to 1998. From the information here, **Table 12** was developed. **Table 12** shows the market share of the two companies from 1997 to 1998. In 1997, Midland and Centaline had 16 per cent and 18 per cent of market share respectively. In 1998,



they could increase their market share to 26 per cent and 31 per cent respectively, despite their reductions of branches in 1998 as shown in **Table 13**.

**Table 13** shows the number of branches of Midland and Centaline from 1995 to 1998. In December 1995, Midland and Centaline had 84 and 99 branches respectively. Both of them expanded aggressively until October 1997. At that time, they had 270 and 300 branches respectively.

#### Evaluation on strategies

As mentioned before, Centaline and Midland are operated under two different management styles. Centaline uses its “Doctrine of Non-interference” while Midland uses its “Power Centralization”. From their business performances shown in **Table 10** to **Table 13**, both of them can be regarded as successful in the real estate agency industry. They could pass through the property boom and bust by different mechanisms.

For Centaline, all operation cost was divided between the Group and each region on a fifty-fifty basis. When the property market was blooming, Regional Directors can earn even more than their boss. They would be motivated in business expansion. However, when the property market went down, Regional Directors also shared loss

with their boss since they had already taken up a part of the operation cost.

For Midland, Wong is the person who has the ultimate authority. When the property market was blooming, he can earn much more than his subordinates and Shih. **Table 14** shows the amount earned by Wong and Shih in 1996 and 1997. If the property market busts, he will suffer a greater loss. However, since Midland is a listed company, it can collect larger pool of capital from the public. Wong can also sell part of his shares to the public to lower his loss, and buy them back when he foresees the situation will be better.

### SWOT analysis to the two companies

#### Strengths

Both Midland and Centaline are financially strong. Therefore, they can both maintain their great network of branches to a certain degree and then grip greater market share in the downturn. Both of them can also have financial back-up to provide good training to their salespeople for the preparation of licensing examinations. Building their sales teams up can establish the companies' core competence and make the companies stronger and more professional in the future.

Centaline is not listed and so it has greater autonomy in the management decisions.

The management does not need to "please" their shareholders and they can

concentrate all their efforts in business development. Centaline is also strong in its information technology development, which may become a valuable asset of the company. Centaline has already established a powerful and more popular homepage. It also provides free property information to the Hong Kong Management Association, certain property developers, security institutes and governmental departments. It has already developed itself as the leader and professional in the field of property information services.

### Weaknesses

For Centaline, the battle of words between Shih and Wong did have some bad effects on the company. Although it had little influence on the operations and services of the company, it did have effects on the company's image and morale of staff.

For Midland, information technology may be one of its weaknesses. Although it mentioned a great plan on the Centralized Corporate Database before the property crash, it did not have any further development after that. At least, it can be said that it had already lost its battlefield to Centaline in the development of the information technology.

Moreover, it chose a wrong time to diversify its business into the property development industry. Although Midland has a deep pocket compared with other



real estate agencies, it is not so strong when compared with those blue-chip property developers in Hong Kong. Furthermore, the up-and-down cycle of the property market is very short. If Midland plans to enter into the property development market within the blooming period, it will not have enough time to establish a solid foundation since the blooming time is too short. If the market goes down, it will have to leave and maintain its position in the real estate agency industry.

The leave of Fung Yui-sum may weaken the business of Midland by taking some internal information and customer connection away from the company. After Fung's leave, the management power may be more centralized in the hands of Wong. One mistake made by the leader may lead the company to lose the whole game. Also, the tendency for Midland to diversify into the property development market will be greater after Fung's leave. It is said that diversification into the property development market may not be a good choice. That tendency may harm the future development of Midland.

### Opportunities

The government will privatize the estate management of the public housing. This may be a good opportunity for Centaline and Midland to diversify their businesses. Capital investment in this industry will not be a great deal. Moreover, the companies do have some advantages such as legal knowledge and the human network.



Licensing can also be a good opportunity to further confirm their leading positions in the real estate agency industry. As mentioned before, they can use their financial strength to give more effective training to their salespeople. They can also employ more licensed salespeople. As a result, they can build up entry barrier to against future new entrants. Small-sized firms may loss competitiveness due to their limited resources. Thus, the two companies can further increase their market share and earn greater profit when the property market blooms again.

### Threats

There may be a tendency of property developers to integrate forwardly into the real estate agency industry. It is because the profit margin of property developers will become thinner in the future. They may therefore try to establish their own sales-teams to contact end-users. These property developers have deep pockets. If they form their sales-teams, it will be a great threat to the companies.

Internet is developing at a rate faster than that of everyone's expectation. When the technology continues to develop, it may not be surprising that "Internet Sales Agents" can be developed in the near future.

## CHAPTER VIII

### CONCLUSION

From the analysis of the real estate agency industry by the Five Forces Model, the following conclusions can be made:

- The threat of entry into the industry is moderate due to the government regulations.
- The threat of substitute service is low since other services like multilevel marketing agency and property auctions are still not effective in Hong Kong.
- The bargaining power of suppliers is great since their products (shops) are unique and also due to the fact that real estate agents are not their important customers.
- The bargaining power of buyers (customers) is small due to the uniqueness of the services provided by real estate agents.
- The internal rivalry competition is keen.

From the analysis of their business performances (commission revenue, market share and number of branches), both Centaline and Midland can be regarded as successful in the real estate agency industry.

Centaline uses its “Doctrine of Non-interference” while Midland uses its “Power Centralization”. They both have pros and cons. But both of them are proven to be successful in the industry.

From the SWOT analysis of Midland and Centaline, the following conclusions can be made.

- The strength of Midland includes its strong financial power. While the strengths of Centaline include strong financial power, great autonomy in management decisions and its strong information technology capability.
- The weaknesses of Midland include its weak information technology capability, wrong decision of the diversification strategy and the leave of Fung Yui-sum which leads to the further concentration of power in the hands of Wong Kin-yip. The weaknesses of Centaline are the image and morale deterioration caused by Shih Wing-ching and Wong Man-yin.
- The opportunities of the companies are the chance of diversification into the public housing estate management and the chances derived from the licensing requirements set up by the government.
- The threats to the companies are the tendency of forward integration of property developers and the future possibility of the born of “Internet Sales Agents”.

TABLE 1

**A SET OF NON-FINANCIAL INDICATORS  
FOR MANUFACTURING INDUSTRY**

Dimensions	Non-financial indicators	
Input materials	<ul style="list-style-type: none"> <li>● Quality of purchased components (zero defects)</li> </ul>	<ul style="list-style-type: none"> <li>● Quality of inputs</li> </ul>
Work performance	<ul style="list-style-type: none"> <li>● Equipment productivity</li> <li>● Maintenance effort</li> <li>● Overtime</li> <li>● Production complexity</li> <li>● Throughput</li> </ul>	<ul style="list-style-type: none"> <li>● Equipment failure</li> <li>● Cost of downtime</li> <li>● Waste (% defects, scrap and reworked)</li> <li>● Production flexibility (set-up time)</li> </ul>
Product	<ul style="list-style-type: none"> <li>● Quantity of output</li> <li>● Safety (serious injury rate)</li> <li>● Availability (% stockouts)</li> <li>● Commitment to quality (% dependence on post-inspection)</li> </ul>	<ul style="list-style-type: none"> <li>● Quality of output (% yield)</li> <li>● Reliability (warranty claims and costs)</li> <li>● Obsolescence (% shrinkage)</li> <li>● Cost of quality</li> </ul>
Market	<ul style="list-style-type: none"> <li>● Market share</li> <li>● Strengths (index of competitive value)</li> </ul>	<ul style="list-style-type: none"> <li>● Market leadership (% increase in market share, new customers)</li> <li>● Competition (index of vulnerability)</li> </ul>
Employees	<ul style="list-style-type: none"> <li>● Employee skills</li> <li>● Employee productivity</li> </ul>	<ul style="list-style-type: none"> <li>● Employee morale (absenteeism, downtime, new staff/total staff etc.)</li> </ul>
Customers	<ul style="list-style-type: none"> <li>● Customer awareness</li> </ul>	<ul style="list-style-type: none"> <li>● Timeliness (overdue deliveries, mean delivery rate)</li> </ul>

(Source: RI Tricker & Angela Dockery. Performance Measurement That Matter – using non-financial indicators for corporate success in Hong Kong. Pitman Publishing Asia Pacific, 1995.)



TABLE 2

PERFORMANCE INDICATORS USED IN THE  
HONG KONG AND CHINA GAS COMPANY

Department	Indicators
Accountancy Department	<ul style="list-style-type: none"> <li>● Average response time on customer complaints</li> <li>● Meter reading success rates</li> <li>● Customer satisfaction levels</li> </ul>
Personnel Department	<ul style="list-style-type: none"> <li>● Employee turnover by job type and length of service</li> <li>● Hours of training provided</li> </ul>
Production Department	<ul style="list-style-type: none"> <li>● Security of supply</li> <li>● Emergency response time by type and area</li> <li>● Accident frequency by type</li> </ul>
Customer Service Department	<ul style="list-style-type: none"> <li>● Level of satisfaction</li> <li>● Average waiting time in Service Centre</li> <li>● The utilization of company vehicles</li> <li>● Provision of maintenance service on appliances .</li> </ul>

(Source: RI Tricker & Angela Dockery. Performance Measurement That Matter – using non-financial indicators for corporate success in Hong Kong. Pitman Publishing Asia Pacific, 1995.)

TABLE 3  
COMPLETION, TAKE-UP AND VACANCY

	1993	1994	1995	1996	1997
Completion	27670	34170	22620	19870	18200
Take-up	27320	23250	24710	20480	15090
Vacancy	32240	40710	36200	34050	35980
%*	3.9	4.7	4.1	3.7	3.8

(Source: Hong Kong Property Review, 1998)

\* Vacancy at the end of the year as a percentage of the stock

TABLE 4  
COMPLAINTS RECEIVED BY THE CONSUMER  
COUNCIL CONCERNING ESTATE AGENTS

	1990	1991	1992	1993
Sales Tactics	75	200	85	112
Non-Delivery	7	4	1	6
Overcharging	5	4	11	4
Quality of Services	19	16	8	12
Others	9	24	13	21
Total	115	248	118	155

(Source: Report of the Working Group on Regulation of Estate Agents, 1994)

TABLE 5

ADVERTISING REVENUE ACROSS THE MEDIA  
(IN PERCENTAGES), 1987 – 1995

Year	TV	Newspaper	Magazine	Radio	MTR	Others	Total	Annual expenditure in advertisement in HK\$ millions
1987	57.0	26.4	10.4	2.5	2.3	1.4	100%	3,865
1989	50.5	28.7	12.9	3.8	2.6	1.5	100%	5,529.1
1991	50.4	27.7	12.8	4.7	3.0	1.4	100%	7,532.6
1993	42.9	36.3	10.8	6.0	2.6	1.4	100%	11,395.0
1995	49.2	28.9	11.9	6.5	2.6	0.9	100%	15,116.9

(Source: Cheng Y. S. Joseph. The Other Hong Kong Report 1997. The Chinese University of Hong Kong, 1997.)

TABLE 6

HONG KONG NEWSPAPERS READERSHIP IN 1986, 1991, AND 1996

Newspaper	1986		1991		1996	
	('000)	(%)	('000)	(%)	('000)	(%)
Oriental Daily	1767	38	1619	32	1601	29
Apple Daily	-- @	--	-- @	--	1338	24
Sing Pao	850	19	821	16	630	11
Tin Tin	258	6	751	15	465	8
Ming Pao	423	9	432	9	345	6
Hong Kong Daily News	258	6	235	5	323	6
South China Morning Post	278	6	232	5	253	5
Sing Tao Daily	199	4	171	3	221	4
Hong Kong Economic Daily	-- @	--	50	1	95	2
Hong Kong Economic Journal	66	1	84	2	61	1

@ Not yet published.

(Source: Cheng Y. S. Joseph. The Other Hong Kong Report 1997. The Chinese University of Hong Kong, 1997.)

TABLE 7

## MARKET SHARE OF MIDLAND FROM 1991 TO 1996

Year	Market Share (%)
1991	1.54
1992	2.40
1993	4.48
1994	7.18
1995	13.05
1996	17.40

(Source: Apple Daily, 6 March 1997)

TABLE 8

## NINE BUSINESS REGIONS OF MIDLAND

Eastern Hong Kong Island
North Point/Causeway Bay
Western, Central, Southern Hong Kong Island
Kowloon
Industrial and Commercial Sector
Fanling/Yuen Long
Shatin/Tai Po
Kwai Chung/Tsuen Wan
Tuen Mun

(Source: Hong Kong Economic Daily, 5 May 1998)



TABLE 9

RECRUITMENT PLANS OF SELECTED REAL ESTATE  
AGENTS IN NOVEMBER 1998

Company	Number of Salespeople	Recruitment Volume	Percent (%)
Ricacorp	600	200	33
Centaline	1500	74 to 150	5 to 10
Midland	1400	100	7

(Source: Ming Pao, 16 November 1998)

TABLE 10

COMMISSION REVENUE OF MIDLAND AND  
CENTALINE BETWEEN 1994 AND 1997

Year	Commission Revenue of Midland	Commission Revenue of Centaline
1994	401,271,000	458,970,000
1995	482,630,000	528,940,000
1996	1,303,962,000	1,350,000,000
1997	1,769,349,000	2,017,000,000

(Source: Newspapers, various issues)

TABLE 11

**TOTAL NUMBER OF PROPERTY TRANSACTIONS IN HONG KONG AND  
THOSE COMPLETED BY MIDLAND AND CENTALINE  
FROM 1997 TO 1998**

Year	Total	Midland	Centaline
1997	205461	32251	36000
1998	112454	29100	34826

(Source: Newspapers, various issues)

TABLE 12

**MARKET SHARE OF MIDLAND AND CENTALINE FROM 1997 TO 1998**

Year	Market Share of Midland	Market Share of Centaline
1997	16%	18%
1998	26%	31%

(Source: Newspaper, various issues)

TABLE 13

NUMBER OF BRANCHES OF MIDLAND AND CENTALINE  
FROM 1995 TO 1998

Time	Midland	Centaline
Dec-95	84	99
Apr-96	102	115
May-96	106	117
Dec-96	161	195
Jan-97	160	200
Mar-97	195	206
May-97	230	238
Sep-97	251	262
Oct-97	270	300
Dec-97	250	250
May-98	186	240
Jun-98	160	238
Nov-98	130	200
Dec-98	130	180

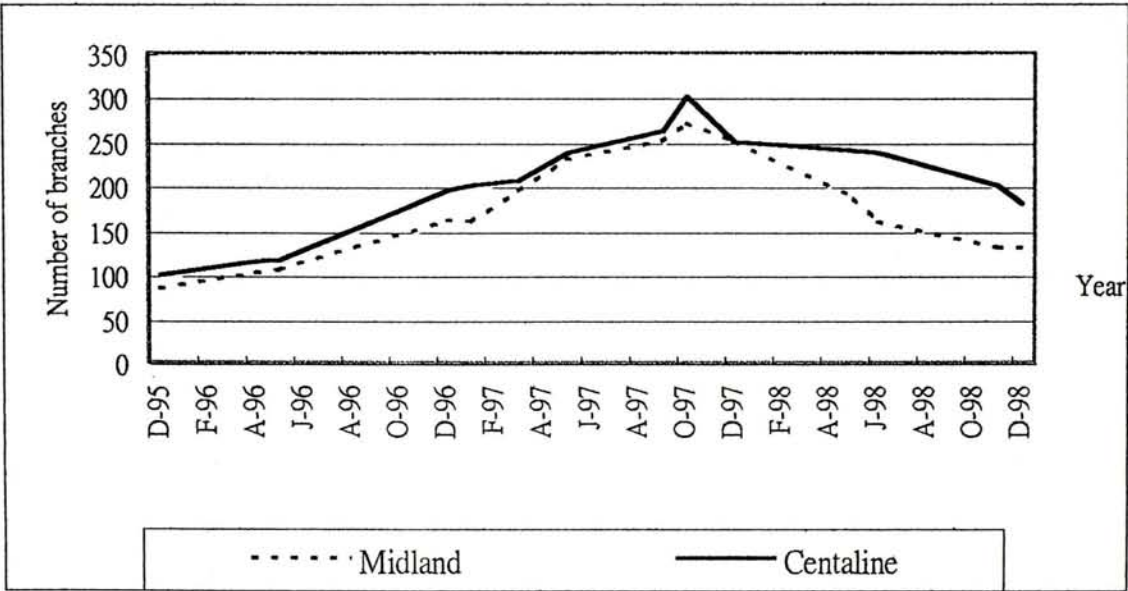


TABLE 14

REVENUE OF WONG KIN YIP AND SHIH WING CHING  
IN 1996 AND 1997

	1997	1996
<u>Wong</u>		
Dividends received	HK\$ 29,425,000	HK\$ 55,640,000
Remuneration received	HK\$ 14,750,000	HK\$ 13,250,000
Total	HK\$ 44,175,000	HK\$ 68,890,000
<u>Shih</u>		
Dividends received	HK\$ 26,990,000	HK\$ 50,980,000
Remuneration received	0	0
Total	HK\$ 26,990,000	HK\$ 50,980,000

(Sources: 1. Wardley Data Services Limited. Wardley Card – Midland Reality (Holdings) Limited, 3-12-1998. 2. Newspapers, various issues.)



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